

**CONSOLIDATED GRAVITY
DRAINAGE DISTRICT NO. 2-A**

Vermilion Parish, Louisiana

Financial Report

Year Ended December 31, 2013

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Commissioners
Consolidated Gravity Drainage
District No. 2-A
Vermilion Parish, Louisiana

We have reviewed the accompanying financial statements of the governmental activities and the major fund of the Consolidated Gravity Drainage District No. 2-A (the Drainage District), a component unit of the Vermilion Parish Police Jury, as of and for the year ended December 31, 2013, which collectively comprise the Drainage District's basic financial statements, as listed in the table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the management of the Drainage District. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

The management of the Drainage District is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

In accordance with the Louisiana Governmental Audit Guide and the provisions of state law, we have issued a report dated June 30, 2014, on the results of our agreed-upon procedures.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic or historical context. Such information was not audited, reviewed, or compiled by us, and we do not express an opinion or provide any assurance on such supplementary information. The other supplementary information on page 28 is presented for purpose of additional analysis and is not a required part of the basic financial statements. Such information was not audited, reviewed, or compiled by us, and we do not express an opinion or provide any assurance on such other supplementary information.

Management has omitted the management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The results of our review of the basic financial statements are not affected by this missing information.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
June 30, 2014

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS (GWFS)**

CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2-A
Vermilion Parish, Louisiana

Statement of Net Position
December 31, 2013

ASSETS

Cash and interest-bearing deposits	\$ 293,814
Due from other governmental units	204,941
Interest receivable	271
Prepaid expense	44,901
Capital assets, net	<u>30,171</u>
Total assets	574,098

LIABILITIES

Accounts and other payables	<u>3,876</u>
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NET POSITION

Net Investment in Capital Assets	30,171
Unrestricted	<u>540,051</u>
Total net position	<u>\$ 570,222</u>

See accompanying notes and independent accountants' review report.

CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2-A
Vermilion Parish, Louisiana

Statement of Activities
For the Year Ended December 31, 2013

Expenses:	
Public works	<u>\$ 416,767</u>
General revenues:	
Ad valorem taxes	242,405
State revenue sharing	11,630
Interest income	1,590
Miscellaneous income	1,737
Gain on sale of capital assets	<u>50,667</u>
Total general revenues	<u>308,029</u>
Change in net position	(108,738)
Net position, beginning	<u>678,960</u>
Net position, ending	<u>\$ 570,222</u>

See accompanying notes and independent accountants' review report.

FUND FINANCIAL STATEMENTS (FFS)

MAJOR FUND DESCRIPTIONS

General Fund

The general fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2-A
Vermilion Parish, Louisiana

Balance Sheet - Governmental Fund
December 31, 2013

ASSETS

Cash and interest bearing deposits	\$ 293,814
Ad valorem taxes receivable	196,881
Accrued interest receivable	271
Due from other governmental agencies	8,060
Prepaid expense	<u>44,901</u>
 Total assets	 <u>\$ 543,927</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	\$ 3,038
Payroll taxes payable	<u>838</u>
Total liabilities	<u>3,876</u>
 Fund balance:	
Nonspendable	44,901
Unassigned	<u>495,150</u>
 Total fund balance	 <u>540,051</u>
 Total liabilities and fund balance	 <u>\$ 543,927</u>

See accompanying notes and independent accountants' review report.

CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2-A
Vermilion Parish, Louisiana

Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Position
December 31, 2013

Total fund balance of the governmental fund at December 31, 2013	\$ 540,051
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:	
Machinery and equipment, net of \$20,692 accumulated depreciation	<u>30,171</u>
Total net position of governmental activities at December 31, 2013	<u>\$ 570,222</u>

See accompanying notes and independent accountants' review report.

CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2-A
Vermilion Parish, Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balance-
Governmental Fund

For the Year Ended December 31, 2013

Revenues:	
Taxes	\$ 242,405
State revenue sharing	11,630
Interest income	1,590
Miscellaneous	<u>1,737</u>
Total revenues	<u>257,362</u>
Expenditures:	
Current -	
Public works - drainage	<u>411,731</u>
Deficiency of revenues over expenditures	(154,369)
Other financing source:	
Proceeds from sale of assets	<u>50,667</u>
Net change in fund balance	(103,702)
Fund balances, beginning	<u>643,753</u>
Fund balances, ending	<u>\$ 540,051</u>

See accompanying notes and independent accountants' review report.

CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2-A
Vermilion Parish, Louisiana

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of the Governmental Fund
to the Statement of Activities
For the Year Ended December 31, 2013

Total net changes in fund balance at December 31, 2013 per Statement of Revenues, Expenditures and Changes in Fund Balances	S (103,702)
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation	<u>(5,036)</u>
Total changes in net position at December 31, 2013 per Statement of Activities	<u>S (108,738)</u>

See accompanying notes and independent accountants' review report.

CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2-A
Vermilion Parish, Louisiana

Notes to Basic Financial Statements (Continued)

(1) Summary of Significant Accounting Policies

The accompanying financial statements of the Consolidated Gravity Drainage District No. 2-A (the Drainage District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of these notes.

Such accounting and reporting procedures also conform to the requirements of the industry audit guide, Audits of State and Local Governments.

The following is a summary of certain significant accounting policies:

A. Financial Reporting Entity

Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Oversight responsibility by the Police Jury is determined on the basis of the following criteria:

1. Appointment of governing board
2. Designation of management
3. Ability to significantly influence operations
4. Accountability for fiscal matters
5. Scope of public service

Because the Police Jury created the Drainage District and appoints its board of commissioners, the Drainage District was determined to be a component unit of the Vermilion Parish Police Jury, the governing body of the parish and the governmental body with oversight responsibility. The accompanying financial statements present information only on the fund maintained by the Drainage District and do not present information on the Police Jury, the general government services provided by that governmental unit, or the other governmental units that comprise the governmental reporting entity.

As provided by Louisiana Revised Statute 38:1758, the District is governed by five commissioners. These five commissioners are referred to as the board of commissioners and are appointed by the parish Police Jury. The District was created under the authority of Louisiana Revised Statute 38:1751-1802 and was established for the purpose of draining and reclaiming the undrained or partially undrained marsh, swamp, and overflowed lands in the District that must be levied and pumped in order to be drained and reclaimed. The District is a component unit of the Vermilion Parish Police Jury, the governing body of the Parish and the government body with oversight responsibility.

CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2-A
Vermilion Parish, Louisiana

Notes to Basic Financial Statements (Continued)

B. Basis of Presentation

Government-Wide Financial Statements (GWFS)

The statement of net position and the statement of activities display information about the Drainage District as a whole. These statements include all of the funds of the reporting entity. The Drainage District has no business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for the Drainage District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of services offered by the Drainage District, and (b) grants and contributions that are restricted to meeting the operational or capital requirement of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements (FFS)

The accounts of the Drainage District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The fund of the Drainage District is classified as governmental. The emphasis on fund financial statements is on major governmental. A fund is considered major if it is the primary operating fund of the entity or meets the following criteria:

- a. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2-A
Vermilion Parish, Louisiana

Notes to Basic Financial Statements (Continued)

The major fund of the Drainage District is described below:

Governmental Fund –

General Fund – This fund is the primary operating fund of the Drainage District and it accounts for the operations of the Drainage District. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according the Drainage District policy.

C. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide statement of net position and the statement of activities, governmental activities are presented using the “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery) and financial position. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with its activities are reported. Government-wide fund equity is classified as net position.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate. The governmental fund utilizes a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on the balance sheet. The operating statement presents sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to a government-wide view of the Drainage District operations.

Basis of Accounting

In the government-wide statement of net position and statement of activities, the governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2-A
Vermilion Parish, Louisiana

Notes to Basic Financial Statements (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after the fiscal period with the exception of state revenue sharing funds. For state revenue sharing funds the period is extended to 150 days after the fiscal period. Expenditures (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Revenues

Intergovernmental revenues and fees, charges and commissions for services are recorded when the Drainage District is entitled to the funds.

Ad valorem taxes are recorded in the year taxes are due and payable. Ad valorem taxes are assessed in November, by the Parish Assessor, based on the assessed value and become due on November 15 of each year. The taxes become delinquent on January 1. An enforceable lien attaches to the property as of January 1. The taxes are generally collected in December, January, and February of the fiscal year. Property tax revenues are accrued at fiscal year-end to the extent that they have been collected but not received by the Vermilion Parish Tax Collector's Office. Such amounts are measurable and available to finance current operations.

Interest on interest-bearing deposits is recorded or accrued as revenues when earned. Substantially all other revenues are recorded when received.

Expenditures

The Drainage District's primary expenditures include salaries and insurance, which are recorded when the liability is incurred. Capital expenditures and purchases of various operating supplies are regarded as expenditures at the time purchased.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Equity

Cash and interest-bearing deposits

For purposes of the statement of net position, cash and interest-bearing deposits include all demand deposits, saving accounts, and certificates of deposits of the Drainage District.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include ad valorem taxes.

CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2-A
Vermilion Parish, Louisiana

Notes to Basic Financial Statements (Continued)

Prepaid Expenses

Prepaid expense consists of insurance premiums and annual lease payments paid during the current fiscal year that benefit the next fiscal year.

Capital Assets

Capital assets, which include furniture, fixtures, and equipment, are reported in the governmental activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. The Drainage District maintains a threshold level of \$1,000 or more for capitalizing capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

	<u>Estimated Useful Lives</u>
Machinery and Equipment	5-15 years

In the fund financial statements, capital assets used in government fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Compensated absences

Full-time employees of the Drainage District with more than one year of service are allowed two weeks of vacation leave each year; full-time employees with one year's service or less are allowed one week of vacation leave each year. Sick leave is granted on an individual basis as the need occurs. Vacation and sick leave may not be accumulated and carried into future years.

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no deferred outflows of resources.

CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2-A
Vermilion Parish, Louisiana

Notes to Basic Financial Statements (Continued)

In addition to liabilities, the statement of net position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has no deferred inflows of resources.

Equity classifications

In the government-wide statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – Net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in either of the other two categories of net position.

In the fund statements, governmental fund equity is classified as fund balance as follows.

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the Drainage District board members. The Board is the highest level of decision-making authority for the Drainage District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by Board members.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Drainage District's adopted policy, only Board members may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2-A
Vermilion Parish, Louisiana

Notes to Basic Financial Statements (Continued)

As of December 31, 2013, fund balances are composed of the following:

	<u>General Fund</u>
Nonspendable:	
Prepaid Items	\$ 44,901
Unassigned	<u>495,150</u>
Total fund balances	<u>\$ 540,051</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted net position is available, the Drainage District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Drainage District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless Board members have provided otherwise in its commitment or assignment actions.

E. Revenue Restrictions

The Drainage District has restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue source includes:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Ad valorem taxes	See Note 2

The Drainage District uses unrestricted resources only when restricted resources are fully depleted.

F. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2-A
Vermilion Parish, Louisiana

Notes to Basic Financial Statements (Continued)

(2) Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are assessed on a calendar year basis, become due on November 15 of each year and become delinquent on January 1 of the following year. The taxes are based on assessed values determined by the Tax Assessor of Vermilion Parish and are collected by the Sheriff. The taxes are remitted to the Drainage District net of deductions for Pension Fund contributions.

For the year ended December 31, 2013, taxes of 18.26 mills were levied on property with assessed valuations totaling \$13,852,790 and were dedicated as follows:

Maintaining and improving canals	18.26 mills
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Total taxes levied were \$252,953. Taxes receivable at December 31, 2013 were \$196,881 all of which is due from Vermilion Parish Sheriff Department (see Note 4).

(3) Cash and Interest-Bearing deposits

Under state law, the Drainage District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the union, or the laws of the United States. The Drainage District may invest in United States bonds, treasury notes, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal

offices in Louisiana. At December 31, 2013, the Drainage District has cash and cash equivalents (book balances) totaling \$293,814.

Demand deposits	105,100
Time deposits	<u>188,714</u>
Total	<u>\$ 293,814</u>

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the District's deposits may not be recovered or will not be able to recover the collateral securities that are in the possession of an outside party. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the pledging financial institution. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the financial institution. These securities are held in the name of the pledging financial institution in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at December 31, 2013, are as follows:

CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2-A
Vermilion Parish, Louisiana

Notes to Basic Financial Statements (Continued)

Bank balances	<u>\$ 279,445</u>
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At December 31, 2013 the deposits are secured as follows:

Federal deposit insurance	<u>\$ 279,445</u>
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(4) Due from Other Governmental Agencies

Amounts due from other governmental agencies at December 31, 2013 consisted of amounts due from the State of Louisiana for state revenue sharing in the amount of \$8,060 and due from the Vermilion Parish Sheriff for ad valorem taxes in the amount of \$196,881.

(5) Prepaid Expenses

Prepaid expenses at December 31, 2013 consisted of the following:

Prepaid insurance	\$ 8,291
Prepaid lease	<u>36,610</u>
Total	<u>\$ 44,901</u>

(6) Capital Assets

A summary of changes in capital assets follows:

	<u>1/1/2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>12/31/13</u>
Governmental activities:				
Machinery and equipment	\$ 273,702	\$ -	\$ (222,839)	\$ 50,863
Less: accumulated depreciation	<u>(238,495)</u>	<u>(5,036)</u>	<u>222,839</u>	<u>(20,692)</u>
Governmental activities,				
capital assets, net	<u>\$ 35,207</u>	<u>\$ (5,036)</u>	<u>\$ -</u>	<u>\$ 30,171</u>

Depreciation expense in the amount of \$ 5,036 was charged to the public works function.

CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2-A
Vermilion Parish, Louisiana

Notes to Basic Financial Statements (Continued)

(7) Compensation Paid Board of Commissioners

The schedule of compensation paid board of commissioners is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. The per diem paid to board members is included in the expenditures of the General Fund. Each member of the board received \$150 for each day of attendance at meetings of the board. Roderic M. Hebert, board president, received \$6,600 in lieu of per diem for his official duties as board supervisor. Compensation paid to commissioners for the year ended December 31, 2013 is as follows:

Randy Stutes	\$ 5,250
Thomas Lalande	4,500
Roderic Mark Hebert	6,600
Theodore Charles Girouard	4,650
Donald Gaspard	<u>5,250</u>
Total	<u>\$ 26,250</u>

(8) Litigation

There was no litigation pending against the Drainage District at December 31, 2013.

(9) Operating Lease

The Drainage District entered into a 60 month operating lease on October 20, 2010 for a Caterpillar 336d1 Hydraulic Excavator which expires on October 20, 2015 and is to be paid in five annual payments of \$33,682.

The Drainage District entered into another 60 month operating lease on March 27, 2013 for a Caterpillar 336EL Hydraulic Excavator which expires on March 27, 2018 and is to be paid in five annual payments of \$40,626.

CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2-A
Vermilion Parish, Louisiana

Notes to Basic Financial Statements (Continued)

The following is a schedule by years of future minimum rental payments required under operating leases that have remaining lease terms in excess of one year as of December 31, 2013:

<u>Year Ended</u>	<u>Amount</u>
2014	\$ 74,308
2015	67,664
2016	40,626
2017	40,626
2018	<u>9,572</u>
Total Minimum Future Rent Payments	<u>\$232,796</u>

(10) Risk Management

The Drainage District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Drainage District carries commercial insurance. There have been no significant reductions in the insurance coverage during the year.

(11) New Accounting Pronouncements

During the fiscal year ended December 31, 2013, the District adopted GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which clarifies the appropriate reporting of deferred outflows of resources or deferred inflows of resources to ensure consistency in financial reporting.

(12) Subsequent Events

The district has evaluated subsequent events through June 30, 2014, the date which the financial statements were available to be issued.

**REQUIRED
SUPPLEMENTARY INFORMATION**

CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2-A
Vermilion Parish, Louisiana
General Fund

Budgetary Comparison Schedule
For the Year Ended December 31, 2013

	Budget		Actual	Variance - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes - ad valorem	\$247,202	\$254,582	\$242,405	\$ (12,177)
State revenue sharing	11,200	12,030	11,630	(400)
Interest income	200	135	1,590	1,455
Miscellaneous	800	3,045	1,737	(1,308)
Total revenues	<u>259,402</u>	<u>269,792</u>	<u>257,362</u>	<u>(12,430)</u>
Expenditures:				
Current -				
Public works - drainage	<u>403,088</u>	<u>419,522</u>	<u>411,731</u>	<u>7,791</u>
Deficiency of revenues over expenditures	(143,686)	(149,730)	(154,369)	(4,639)
Other financing source:				
Proceeds from sale of assets	<u>-</u>	<u>50,667</u>	<u>50,667</u>	<u>-</u>
Net change in fund balance	(143,686)	(99,063)	(103,702)	(4,639)
Fund balance, beginning	<u>643,753</u>	<u>643,753</u>	<u>643,753</u>	<u>-</u>
Fund balance, ending	<u>\$500,067</u>	<u>\$544,690</u>	<u>\$540,051</u>	<u>\$ (4,639)</u>

See independent accountants' review report.

CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2-A
Vermilion Parish, Louisiana

Notes to Budgetary Comparison Schedule
For the Year Ended December 31, 2013

(1) Budgets and Budgetary Accounting

The Drainage District follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. The budget is employed as a management control device during the year that assists its user in financial activity analysis.
3. Any changes in the proposed annual operating budget require a majority vote of the Board of Control.
4. No later than the last regular meeting of the fiscal year, the Board of Control adopts the annual operating budget for the ensuing fiscal year.
5. All budget appropriations lapse at year-end. The budgets presented are the originally adopted budget and the final amended budget.

For the year ended December 31, 2013, actual revenues failed to meet budgeted revenue in the general fund.

OTHER SUPPLEMENTARY INFORMATION

CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2-A
Vermilion Parish, Louisiana
General Fund

Detailed Budgetary Comparison Schedule
For the Year Ended December 31, 2013

	Budget		Actual	Variance - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes - ad valorem	\$ 247,202	\$ 254,582	\$ 242,405	\$ (12,177)
State revenue sharing	11,200	12,030	11,630	(400)
Interest income	200	135	1,590	1,455
Miscellaneous	800	3,045	1,737	(1,308)
Total revenues	<u>259,402</u>	<u>269,792</u>	<u>257,362</u>	<u>(12,430)</u>
Expenditures:				
Current -				
Public works - drainage				
Salaries	119,100	119,100	112,500	6,600
Commissioners fees	19,200	19,500	26,250	(6,750)
Professional fees	3,400	3,300	3,300	-
Group insurance	66,251	96,373	96,872	(499)
Payroll taxes	13,610	10,603	10,614	(11)
Office	850	500	692	(192)
Repairs	28,000	12,000	12,382	(382)
Insurance	16,000	17,149	15,539	1,610
Equipment rental	67,363	74,307	64,735	9,572
Fuel and lubricants	55,000	56,269	54,573	1,696
Pension fund deduction	-	-	8,300	(8,300)
Miscellaneous	14,314	10,421	5,974	4,447
Total expenditures	<u>403,088</u>	<u>419,522</u>	<u>411,731</u>	<u>7,791</u>
Deficiency of revenues over expenditures	(143,686)	(149,730)	(154,369)	(4,639)
Other financing source:				
Proceeds from sale of asset	-	50,667	50,667	-
Net change in fund balance	(143,686)	(99,063)	(103,702)	(4,639)
Fund balance, beginning	<u>643,753</u>	<u>643,753</u>	<u>643,753</u>	<u>-</u>
Fund balance, ending	<u>\$ 500,067</u>	<u>\$ 544,690</u>	<u>\$ 540,051</u>	<u>\$ (4,639)</u>

See independent accountants' review report.

CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2-A
Vermilion Parish, Louisiana

Schedule of Current and Prior Year Findings
and Management's Corrective Action Plan
Year Ended December 31, 2013

Part I: Current Year Findings and Management's Corrective Action Plan

A. Internal Control Over Financial Reporting

2013-001 Inadequate Segregation of Accounting Functions

CONDITION: Consolidated Gravity Drainage District No. 2-A did not have adequate segregation of functions within the accounting system.

CRITERIA: SAS109, *Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement*, AU§314.43 defines internal control as follows:

“Internal control is a process, affected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.”

Additionally, Statements on Standards for Attestation Engagements (SSAE) AT§501.03 states:

“An entity's internal control over financial reporting includes those policies and procedures that pertain to an entity's ability to record, process, summarize, and report financial data consistent with the assertions embodied in either annual financial statements or interim financial statements, or both.”

CAUSE: The cause of the condition is the fact that the District does not have a sufficient number of staff performing administrative and financial duties so as to provide adequate segregation of accounting and financial duties.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Board of Commissioners determined that it is not cost effective to achieve complete

CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2-A
Vermilion Parish, Louisiana

Schedule of Current and Prior Year Findings
and Management's Corrective Action Plan
Year Ended December 31, 2013

segregation of duties within the accounting department. No plan is considered necessary.

2013-002 Application of Generally Accepted Accounting Principles (GAAP)

CONDITION: The Consolidated Gravity Drainage District No. 2-A does not have adequate internal controls over recording the entity's financial transactions or preparing its financial statements, including the related notes in accordance with generally accepted accounting principles (GAAP).

CRITERIA: AU §265.A37 identifies the following as a deficiency in the design of (internal) controls:

“... in an entity that prepares financial statements in accordance with generally accepted accounting principles, the person responsible for the accounting and reporting function lacks the skills and knowledge to apply generally accepted accounting principles in recording the entity's financial transactions or preparing its financial statements.”

CAUSE: The cause of the condition is the result of a failure to design or implement policies and procedures necessary to achieve adequate internal control.

EFFECT: Financial statements and related supporting transactions may reflect a material departure from generally accepted accounting principles.

RECOMMENDATION: Management should evaluate the additional costs required to achieve the desired benefit and determine if it is economically feasible in relation to the benefit received.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Board of Commissioners has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the District to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.

CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2-A
Vermilion Parish, Louisiana

Schedule of Current and Prior Year Findings
and Management's Corrective Action Plan (Continued)
Year Ended December 31, 2013

B. Compliance

2013-003 Commissioner compensation

CONDITION: Some of the commissioners are participants in the group health insurance plan of the District. In accordance with the group insurance plan requirements, the District makes an employer contribution to the plan on behalf of the commissioners. According to Attorney General opinion 11-0186, the employer's payment to the health insurance plan on behalf of the commissioners are considered compensation. The commissioners are currently being paid \$150 per meeting, which is the maximum salary according to R.S. 33:1794 (2)(a). Therefore since the employer's contribution to the health insurance plan on behalf of the commissioners are to be considered compensation, then the commissioners are being paid a rate that is higher than that authorized by law.

CRITERIA: R.S. 33:1794 (2)(a) states "Members of the board of commissioners are authorized to receive compensation of not more than \$150 per day as determined by the board for each day such member shall be in actual attendance upon regular or special meeting of the board, not to exceed 36 meetings in one year". In addition, Attorney General opinion 11-0186 notes that payment of health insurance premiums and contributions to retirement plans on behalf of an official or employee, whose salary and/or per diem are fixed by law, is considered additional compensation. Consequently, the payment of these "benefits" constitutes compensation which must be included when determining whether the official or employee is being paid a rate which is higher than that authorized by law.

CAUSE: The District is paying a portion of health insurance premiums for some members of the board of commissioners. In 2013, total group health benefits paid on behalf of the commissioners totaled \$4,765 per month. Consequently, the commissioners are currently being paid the maximum authorized salary of \$150 per meeting and additional compensation for the employer contribution to the group insurance plan on behalf of the commissioner.

EFFECT: The commissioners may have been overpaid \$57,180 in total.

RECOMMENDATION: Management needs to ensure that health insurance premiums, retirement contributions, and any other benefits are included in the calculation of a member's compensation in order to determine whether the member is being paid at a rate higher than that authorized by statute.

CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2-A
Vermilion Parish, Louisiana

Schedule of Current and Prior Year Findings
and Management's Corrective Action Plan (Continued)
Year Ended December 31, 2013

MANAGEMENT'S CORRECTIVE ACTION PLAN: The District has contacted their legal counsel to determine how they can be in compliance with applicable laws. The District will take all action necessary based upon legal advice.

Part II. Prior Year Findings:

A. Internal Control Over Financial Reporting

2012-001 Inadequate Segregation of Accounting Functions

CONDITION: Due to the small number of employees, Consolidated Gravity Drainage District No. 2-A did not have adequate segregation of functions within the accounting system.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

CURRENT STATUS: Unresolved. See item 2013-1.

**ATTESTATION REPORT
AND
QUESTIONNAIRE**

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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Conrad O. Chapman, CPA* 2008

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners
Consolidated Gravity Drainage
District No. 2-A
Vermilion Parish, Louisiana

We have performed the procedures included in the Louisiana Government Audit Guide and enumerated below, which were agreed to by the management of the Consolidated Gravity Drainage District No. 2-A (the Drainage District), and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the Drainage District's compliance with certain laws and regulations during the year ended December 31, 2013, included in the accompanying Louisiana Attestation Questionnaire. Management of the Drainage District is responsible for its financial records and compliance with applicable laws and regulations. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of Government Auditing Standards. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Public Bid Law

1. Select all expenditures made during the year for material and supplies exceeding \$30,000, or public works exceeding \$150,000, and determine whether such purchases were made in accordance with RS 38:2211-2296 (the public bid law) or R.S. 39:1551-39:1755 (the state procurement code), whichever is applicable.

There were no expenditures made during the year for materials and supplies exceeding \$30,000 or any public works exceeding \$150,000.

Code of Ethics for Public Officials and Public Employees

2. Obtain from management a list of the immediate family members of each board member as defined by RS 42:1101-1124 (the code of ethics), and a list of outside business interests of all board members and employees, as well as their immediate families.

Management provided us with the required list including the noted information.

3. Obtain from management a listing of all employees paid during the period under examination.

Management provided us with the required list.

4. Determine whether any of those employees included in the listing obtained from management in agreed-upon procedure (3) were also included on the listing obtained from management in agreed-upon procedure (2) as immediate family members.

None of the employees included on the list of employees provided by management in agreed-upon procedure (3) appeared on the list provided by management in agreed-upon procedure (2).

Budgeting

5. Obtained a copy of the legally adopted budget and all amendments.

Management provided us with a copy of the original budget and all amendments.

6. Trace the budget adoption and amendments to the minute book.

We traced the adoption of the original budget to the minutes of a meeting held on November 08, 2012, which indicated that the budget had been adopted by the Drainage District. We also traced the adoption of the amended budget to the minutes of a meeting held on November 14, 2013.

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues failed to meet budgeted revenues by 5% or more or if actual expenditures exceed budgeted amounts by 5% or more.

We compared the revenues and expenditures of the final budget to actual revenues and expenditures. Actual revenues did not fail to meet budgeted revenues by 5% and actual expenditures did not exceed budgeted amounts by more than 5%.

Accounting and Reporting

8. Randomly select 6 disbursements made during the period under examination and:

- (a) trace payments to supporting documentation as to proper amount and payee;

We examined supporting documentation for each of the six selected disbursements and found that payment was for the proper amount and made to the correct payee.

- (b) determine if payments were properly coded to the correct fund and general ledger account; and

All six payments were properly coded to the correct fund and general ledger account.

- (c) determine whether payments received approval from proper authorities.

Inspection of documentation supporting each of the six selected disbursements indicated approvals from the accountant and the chairman of the Board of Commissioners. In addition, each of the disbursements was traced to the district's minute book where they were approved by the full commission.

Meetings

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by RS 42:11 through 42:28 (the open meetings law).

Consolidated Gravity Drainage District No. 2-A is only required to post a notice of each meeting and the accompanying agenda on the door of the District's office building. Management has asserted that such documents were properly posted, we could find no evidence supporting such assertion other than an unmarked copy of the notices and agendas.

Debt

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of bank loans, bonds, or like indebtedness.

We inspected copies of all bank deposit slips for the period under examination and noted no deposits which appeared to be proceeds of bank loans, bonds, or like indebtedness.

Advances and Bonuses

11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees which may constitute bonuses, advance, or gifts.

We inspected payroll records for the year and noted no instances which would indicate payments to employees which would constitute bonuses, advances, or gifts.

Prior Comments and Recommendations

See the summary schedule of current and prior year findings and management's corrective action plan for any comments or unresolved matters.

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the Drainage District and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
June 30, 2014

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Government)

_____ (Date Transmitted)

Kolder, Champagne, Slaven & Co., L.L.C.

Certified Public Accountants

P. O. Box 1055

Abbeville, LA 70511-1055 (Auditors)

In connection with your review of our financial statements as of [date] and for the year then ended, and as required by Louisiana Revised Statute (R.S.) 24:513 and the Louisiana Governmental Audit Guide, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulations and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of (date of completion/representations).

Public Bid Law

It is true that we have complied with the public bid law, R.S. Title 38:2211-2296, and, where applicable, the regulations of the Division of Administration and the State Purchasing Office.

Yes [☒] No []

Code of Ethics for Public Officials and Public Employees

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of R.S. 42:1101-1124.

Yes [☒] No []

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of R.S. 42:1119.

Yes [☒] No []

Budgeting

We have complied with the state budgeting requirements of the Local Government Budget Act (R.S. 39:1301-15), R.S. 39:33, or the budget requirements of R.S. 39:1331-1342, as applicable.

Yes [☒] No []

Accounting and Reporting

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by R.S. 44:1, 44:7, 44:31, and 44:36.

Yes [☒] No []

We have filed our annual financial statements in accordance with R.S. 24:514, and 33:463 where applicable.

Yes [☒] No []

We have had our financial statements reviewed in accordance with R.S. 24:513.

Yes [☒] No []

Meetings

We have complied with the provisions of the Open Meetings Law, provided in R.S. 42:11 through 42:28.

Yes [☒] No []

Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements,

without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and R.S. 39:1410.60-1410.65.

Yes [☒] No [☐]

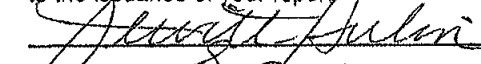
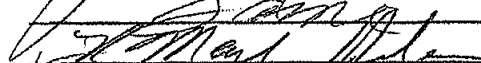

Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, R.S. 14:138, and AG opinion 79-729.

Yes [☒] No [☐]

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the foregoing laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known noncompliance that may occur subsequent to the issuance of your report.

	Secretary	<u>1-23-14</u>	Date
	Treasurer		Date
	President	<u>1-23-14</u>	Date